

Distribution:

Excise tax revenue, less amounts distributed to Indian tribes, is deposited in the enterprise fund for transfer to the general fund.

License tax revenue is allocated to the enterprise fund for transfer 34.5 % to the general fund and 65.5% to the Department of Public Health and Human Services for alcohol treatment and rehabilitation programs.

Collection Frequency:

Both the liquor excise tax and the license tax on liquor are collected at the time of the sale and delivery of liquor. Deposits to the general fund are made monthly.

Major Drivers:

- Value of liquor sold
- Tax rate

Statutory Reference::

Tax Rate (MCA) – Excise tax (16-1-401), License tax (16-1-404)

Tax Distribution (MCA) – Excise tax (16-16-1-401), License tax (16-1-404)

Date Due – Excise tax is collected at the time of sale and distributed by the 10th day of each month. License tax is collected at the time of sale.

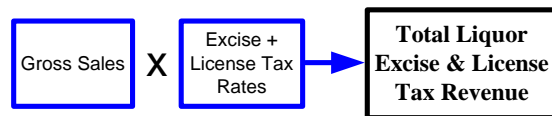
% of Total FY 2004 General Fund: 0.78%

Reasons For Historical Changes

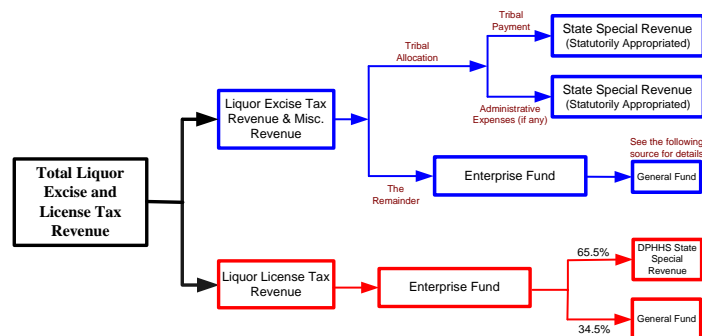
- Tax Changes
 - Fiscal 1978 – House Bill 627 (Chapter 414) increased the license tax rate from 5 percent to 10 percent.
 - Fiscal 1986 – Senate Bill 288 (Chapter 690): 1) removed the requirement that the state markup be 10 percent; 2) implemented a new excise tax rate of 13.8 percent for a company selling not more than 200,000 gallons nationwide; and 3) implemented a new license tax rate of 8.6 percent for a company selling not more than 200,000 gallons nationwide.
 - Fiscal 1991 - An increase of 8 percent in the federal alcohol tax increased Montana's total liquor sales revenues resulting in higher tax revenue.

- Fiscal 1992 - In July 1992, the legislature in special session implemented a 7% surcharge on all taxes, including the liquor excise tax, the proceeds from which were deposited to the general fund (House Bill 44, Chapter 15). The surcharge for this tax was effective from September 1992 through August 1993 and increased general fund collections in fiscal 1993 and fiscal 1994.
- Fiscal 1995 – Effective April 1995, House Bill 574 (Chapter 530): 1) converted employee-operated state liquor stores to agency liquor stores; and 2) based the liquor store purchase price on a weighted average discount ratio. Effective July 1995, House Bill 574 also increased the discount rate from 5 percent to 8 percent. Because of the conversion to agency liquor stores, the sale of the state liquor inventory resulted in a one-time increase in tax revenue.
- Economic Changes
 - Greater consumption possible due to thriving economy
 - Decline in consumption possible due to sluggish economy

Forecast Methodology



Distribution Methodology



Legislative Fiscal Division



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LEGISLATIVE FISCAL DIVISION



Taxes in Brief...

Liquor Excise Tax

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Fiscal Pocket Guide



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Liquor Excise Tax

Revenue Description:

The Department of Revenue (DOR) is authorized to sell liquor to retail liquor establishments throughout the state. These sales result in profits and taxes that are deposited in various state accounts. An excise tax is collected both on liquor sold by DOR and for liquor purchased outside the state, by airlines and railroads (carriers), for consumption within the state. The department also collects a license tax on the sale of liquor. A portion of the excise tax revenue is returned to Indian tribes through an agreement with the department.

Applicable Tax Rate(s):

Excise Tax Rate

- 16.0% of the retail selling price on all liquor sold and delivered in the state by a company that manufactured, distilled, rectified, bottled, or processed, and sold more than 200,000 proof gallons of liquor nationwide in the calendar year preceding imposition of the tax
- 13.8% of the retail selling price on all liquor sold and delivered in the state by a company that manufactured, distilled, rectified, bottled, or processed, and sold not more than 200,000 proof gallons of liquor nationwide in the calendar year preceding imposition of the tax

The amount of excise taxes paid by carriers includes additional factors related to departures and passenger miles.

License Tax Rate

- 10.0% of the retail selling price on all liquor sold and delivered in the state by a company that manufactured, distilled, rectified, bottled, or processed and that sold more than 200,000 proof gallons of liquor nationwide in the calendar year preceding imposition of the tax
- 8.6% of the retail selling price on all liquor sold and delivered in the state by a company that manufactured, distilled, rectified, bottled, or processed and that sold not more than 200,000 proof gallons of liquor nationwide in the calendar year preceding imposition of the tax

The license tax must be charged and collected on all liquor brought into the state and taxed by DOR. The retail selling price must be computed by adding to the cost of the liquor the state markup as designated by the department. The license tax must be figured in the same manner as the state excise tax and is in addition to the state excise tax.

